



# **VETERANS**

## **EDUCATION SUCCESS**

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### **MEMORANDUM**

**VETERAN AND SERVICEMEMBER COMPLAINTS ABOUT MISCONDUCT AND  
ILLEGAL PRACTICES AT DREAM CENTER SCHOOLS**

**MAY 2021**

## I. INTRODUCTION

This memo summarizes and analyzes complaints received by Veterans Education Success from military-connected students who attended Dream Center schools. These schools were formerly owned by Education Management Corporation (EDMC), which closed some schools and sold most to the Dream Center in 2018.<sup>1</sup> These schools include The Art Institutes, Argosy University, Brown Mackie College, and South University. All Argosy University and most Brown Mackie College campuses are now closed. While most of the campuses closed, some of The Art Institute campuses and South University are now operated by the Education Principle Foundation, a subsidiary of private equity firm Colbeck Capital Management.<sup>2</sup>

This memo also describes law enforcement actions against Dream Center schools that support the complaints we have received. Overall, the servicemember and veteran students we assisted alleged that Dream Center schools engaged in conduct that damaged their financial well-being, obstructed their academic mobility, and failed to provide an education that would ensure their successful matriculation to the civilian workforce after completing their course of study.

## II. COMPLAINTS

### A. Student Complaints

As of March 10, 2021, Veterans Education Success has received 202 complaints about Dream Center schools. These complaints often allege repeated misconduct that demonstrates a worrisome pattern of behavior. Many complaints allege several different types of misconduct. The table below shows the percentage of all complaints that touch on a variety of issues. Below the table, more information about each category is provided, as well as excerpts from the complaints that demonstrate these issues. Some of the complaints were extremely comprehensive and alleged a number of concerns that overlapped with one or more categories. In areas where the complaint alleged numerous issues that touched on more than one of the categories listed below, those issues were included in the corresponding categories.

Category	Percentage of Complaints
Student Loans	38%
Transfer of Credits	35%
Recruiting Practices	32%
Post-Graduate Employment	21%
Quality of Education	21%

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<sup>1</sup> Andrew Kreighbaum, “Few Lessons Learned on For-Profit Closures,” *Inside Higher Ed*, April 3, 2019, <https://www.insidehighered.com/news/2019/04/03/another-profit-giant-collapses-critics-dream-center-deal-wonder-why-feds-didnt-see>.

<sup>2</sup> Stacey Cowley and Erica L. Green, “A College Chain Crumbles, and Millions in Student Loan Cash Disappears,” *The New York Times*, March 7, 2019, <https://www.nytimes.com/2019/03/07/business/argosy-college-art-institutes-south-university.html>. See also Education Principle Foundation, “Education Principle Foundation Acquires The Arts Institutes and South University From Dream Center Education Holdings,” *PR Newswire*, January 18, 2019, <https://www.prnewswire.com/news-releases/education-principle-foundation-acquires-the-arts-institutes-and-south-university-from-dream-center-education-holdings-300781213.html>.

Accreditation	15%
Program or Degree Changes	4%

The number of complaints received about each school is as follows:

Argosy: 25

Arts Institute: 55

Brown Mackie College: 116

South University: 6

We set forth below the complaint categories and provide the number of complaints against each school for that category with a percentage representing what percentage of complaints from that school included that category. One complaint may include information relevant to multiple categories.

### **1. Student Loans**

Of all complaints received by Veterans Education Success about Dream Center schools, 38% included issues related to student loans. The following is the number of complaints by school that included student loan issues.

- i. Argosy: 11 (44%)
- ii. Arts Institute: 29 (53%)
- iii. Brown Mackie College: 32 (28%)
- iv. South University: 4 (67%)

Students complained that Dream Center schools engaged in misleading conduct that caused them to take on student loans or incur more debt than originally anticipated. Many students reported that they incurred a substantial amount of student loan debt that they cannot pay back because of the inadequate degree and poor job placement of these institutions. Some alleged that the school encouraged them to take out loans despite their education benefits from the U.S. Department of Veterans Affairs (VA), or even had them sign loan paperwork without explaining the documents at all. Some veterans complained that Dream Center schools promised tuition would be covered, but then presented them with costs and loans. For example, student G.D. said of The Art Institute, “At the time they told me everything is paid for etc. However, they neglected to tell me that as a reservist who served downrange along with new restructuring of the law, it was not all free, and after just two semesters. The former being free, I was hit with a 3500 bill.”

The generosity of the GI Bill means that veterans often do not need student loans to complete their schooling. However, VA can sometimes be slow at processing and distributing G.I. Bill funds. This can be an issue for schools facing a cash flow shortage. Such schools have tended to mitigate this issue by forcing students to take out student loans to “bridge the gap” until the VA funds arrive, even if the student ultimately does not need loans because of their GI Bill benefits. When the GI Bill funds arrive, the veteran’s account is over-funded, and he will often receive a payout from the school, but the veteran does not understand (and often is not told) that the payment is actually from a loan he will need to repay. This leaves veterans with loans they did

not need, want, or realize they were getting. Some veterans complained this happened to them at Dream Center schools and told us they felt pressured by Dream Center schools to take out loans on little notice, being pulled out of class and forced to sign paperwork, because VA payments had not yet arrived. For example, student veteran T.S. told us,

“I went [to] Brown Mackie in South Bend, Indiana for [six] months for a business major, my VA benefits took longer [than expected] to receive I was told in the beginning that I would not be charged for anything out of pocket that everything would be taken care of when the money came in. Two months later the benefits still had not started, the schools [financial] department made me leave my final exam to sign loan papers. Saying that the school could not wait any longer for the funds. I didn’t know what to do, the woman told me that if I was able to get the resources [within] the next 24 hours that they could cancel the loan request before it went through. I called the VA as soon as I got home, turns out the school gave me the wrong school code, and other information. I got everything squared away on the phone and my benefits were approved that day, they told me it would take a week to get the money. I called the school directly after and as soon as I got on the phone with the [financial aid] she [congratulated] me for my loan had gone through. I ask if I could cancel it and she said no it is too late now since it’s already been approved. Now I’m \$8000 in school loan debt.”

Similarly, student veteran M.A. explained about South University, “I was twice encouraged to take out costly private loans to attend class with the explanation that I could not attend if the money was not guaranteed. Private loans that were later refunded back to me as Stipends, as the money I was told to apply for was \$3,000 over what I needed. I incurred over \$90,000 in debt to receive my Bachelor’s Degree (Psychology).”

One reason a school may not be up front about loans and costs for veterans is that the school may be trying to hide the fact that its tuition is more than the GI Bill will cover (an important difference given that, by statute, GI Bill students receive the in-state tuition rate at all public colleges).

Sometimes, schools force the student to take out loans in order to be allowed to start classes. Often, students report to us they were pressured to complete the free application for student aid (FAFSA) form to see if they are eligible for any grants. They are promised that any money they get will be from grants only, not loans. As student J.D. explained about the Art Institute, “I was forced to sign up for additional loans and grants even after my GI Bill was in effect.”

Examples of other student complaints about student loans at Dream Center schools include:

- “They’re charging me \$2,000 and I already paid back the loan. I don’t get it.”-M.M., The Art Institute
- “[T]he school lied about graduation rates, job placement rates etc. Upon graduation I was only able to find a part-time retail position that paid around \$10 an hour yet I have outstanding student loan debt of around \$38,000.” -D.F., The Art Institute
- “. . .this finished my GI Bill and ate into my husbands as well as incurring federal student loans.”-M.K., Argosy University

- “[A]lthough I only have an AA [,] [m]y student loans debt are that of someone with a BA. I am having an extremely difficult time finding employment.” -P.T., The Art Institute
- “They Charged me for equipment I never received as well as classes I never attended” -R.S., The Art Institute
- “I received my bachelors and my masters from Argosy and have over \$100,000 of student debt and I only work at a daycare at the moment.” -A.R., Argosy University
- “I went to school at Brown Mackie for about 4 to 5 months. I stopping going because after that short time I already had about \$3,400 in debt. I was using the Montgomery GI Bill. It wasn’t till after I stopped attending that I starting getting my money. It was just a hassle the entire time I was there. I regret going every day.” -C.B., Brown Mackie College

## **2. Transfer of Credits**

Of all complaints received by Veterans Education Success about Dream Center schools, 35% alleged credit transfer issues, especially misrepresentations by Dream Center schools about the transferability of their credits to a new institution for students to complete their degree or to pursue a higher degree after graduating. The following is the number of complaints by school that included deceptions about transferability of credits:

- i. Argosy: 5 (20%)
- ii. Arts Institute: 10 (18%)
- iii. Brown Mackie College: 54 (47%)
- iv. South University: 2 (33%)

Many students alleged Dream Center schools misled students about the transferability of their credits and that students were unable to transfer any credits, or that very few of the credits would be accepted by another institution. These misrepresentations damaged students by leaving them stuck, with no good options. Students were faced with the choice to either start their education over at a new school, wasting the time and money they already invested at Dream Center schools, or to continue with their education at the Dream Center school, even though they found it to not be highly respected in the job market.

For example, as student D.R. explained, “I was assured that they would be able to transfer my credits to another university if needed and this was found to be untrue. I started looking for other schools to transfer my 30 credits, but due to the accreditation status of Argosy, I was unable to use their credits.” As student D.R. makes clear, misrepresentations about credit transfer are often accompanied by misrepresentations about the school’s accreditation (discussed further in Section 6).

Similarly, as student I.A. explained about The Art Institutes, deceptions by Dream Center schools about their accreditation lasted years: “During my time there, students were told and promised that the school was going through an accredited process that took time. Each year we were ensured that the process was taking place and our concerns were in fact taken seriously. Fast forward, AI of MN is closed and our credits are extremely hard to transfer—causing myself and others to seek alternative routes for education and basically starting our process from SCRATCH.”

In some instances, although the students obtained outstanding grades in the courses taken at the Dream Center institution, they said they were nevertheless rejected by schools they sought out to continue their education because of the status of the Dream Center schools' accreditation. For example, student J.G. explained about The Art Institute, "We have been rejected from universities and public colleges even though we both have great grades. My wife, having a 4.0 and me being a 3.8. . . though they claim they are accredited[,] those credits do not cross over to any other colleges."

Occasionally, students also reported that credits they had earned previously at other schools were not accepted by Dream Center schools. This caused students to repeat classes at the Dream Center school and increased the overall cost of their experience, which students alleged was underplayed in the recruiting stage. As student M.R. explained about Brown Mackie, "I enrolled in Brown Mackie in the beginning of the year in 2010. I had just graduated [from] Lincoln College of Technology and I wanted to transfer my credits in order to further my education. I was told but a recruiter that my credits will be able to transfer and he lied! It was almost the end of the year when I actually found out that my credits didn't transfer at all! Needless to say that I was quite furious and requested to speak to the Dean but she never gave me straight answer. She stated that she was sorry that I was lied to about my credit transfer."

One student, K.H., even reported that Brown Mackie deceived him about credit transfer within the Brown Mackie College system: He says that when he moved from Tucson to Atlanta, the new Brown Mackie campus he attended would not accept all of his credits from his previous Brown Mackie campus.

### **3. Recruiting Practices**

Of the military-connected student complaints received by Veterans Education Success, 32% included allegations of deception and misrepresentation by Dream Center School's employees during the recruitment and enrollment period, as well as high pressure recruiting tactics. The following is the number of complaints by school that included allegations of misleading or deceptive recruiting practices:

- i. Argosy: 7 (28%)
- ii. Arts Institute: 10 (18%)
- iii. Brown Mackie College: 46 (40%)
- iv. South University: 1 (17%)

Deceptive recruiting targeting veterans became rampant among for-profit schools like Dream Center schools (which were for-profit prior to the Dream Center purchase) because of the so-called "90/10 loophole." The 90/10 rule requires for-profit colleges to obtain at least 10% of their revenues from sources other than federal student aid. Enacted by Congress as a market-viability test, the 90/10 rule is designed to ensure federal funds are not used to prop up otherwise failing for-profit colleges that are unable to attract private-paying students. However, because of an oversight in drafting, education benefits from the Departments of Defense and Veterans Affairs were left out of the calculation of the 90%. As Holly Petraeus, head of service member affairs at the U.S. Consumer Financial Protection Bureau, wrote in the *New York Times*, the loophole

“gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in.”<sup>3</sup>

Students complained that reliance on Dream Center schools’ false or misleading statements induced students to enroll and negatively impacted their financial well-being. Many students felt pressured by Dream Center recruiters and reported they had been victimized by a false sense of urgency. As student J.B. explained about Brown Mackie College, “I felt like I was being pressured to enroll at every turn. Initially I just wanted information but they wouldn't give me anything unless I applied first. By that point well you might as well enroll. I tried taking some time off of school to deal with personal issues. Instead of rescheduling me for the next semester, which would of been no problem, I was told I had to cancel my enrollment then re apply for next year. Which is what I ended up doing.... At the end of the day, I feel I have been wronged by Brown Mackie and dealing with them and their school was a waste of time and money.”

Similarly, student S.J. explained about Brown Mackie College, “I had gone in to ask some questions trying to gather more information about their programs because I wanted to go back to school. The next thing I knew, I had filled out paperwork to get a loan for the tuition and was entering classes. They never actually asked me if I wanted to do the loan paperwork.”

Dream Center schools’ misleading statements also resulted in veterans’ inability to successfully transition into the civilian workforce in the manner they were led to believe. Many Dream Center deceptions related to students’ job prospects and eligibility for certain jobs, which students would not discover until they tried to hit the job market. As student K.M. explained about Argosy University, “It was not until I started looking for an internship at the VA to complete my degree requirements was informed this was not possible with this degree.”

One student, E.H., even reported that the recruiting did not stop after graduating. He could not find a job and owed \$40,000 in loans, but Brown Mackie was still contacting him about enrolling in additional Brown Mackie courses.

Many topics of Dream Center’s misleading recruiting are covered in other sections of this memo, because the topic of the deception was accreditation, or other topics discussed in this memo. For example, student E.M. described deceptions about accreditation: “I Attended Everest and Argosy in which they told me that they were accredited school. I now have loans that I can’t afford and can’t finish my degree.” And student C.B. described deceptions student loans and about the transferability of his credits: “I was recruited by giving iPad and [the] statement [that] my VA benefits would cover [cost] of school. That my grades would transfer to other schools. That my student loan application was just in case I needed assistance at home.”

#### **4. Post-Graduate Employment**

An issue reported by 21% of students was related to Dream Center schools’ unfulfilled promises and false statements about students’ post-graduation employment opportunities. The following is

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<sup>3</sup> Hollister K. Petraeus, “For-Profit Colleges, Vulnerable G.I.’s,” *The New York Times*, Sept. 21, 2011, <https://www.nytimes.com/2011/09/22/opinion/for-profit-colleges-vulnerable-gis.html>.

the number of complaints by school that included allegations of misleading or deceptive recruiting practices about post-graduate employment opportunities.

- i. Argosy: 5 (20%)
- ii. Arts Institute: 9 (16%)
- iii. Brown Mackie College: 29 (25%)
- iv. South University: none

Students alleged that deceptions about post-graduate employment occurred both during the recruitment phase and while the students were enrolled. Some students said they were promised that their degrees would translate to high-paying jobs and opportunities with desirable employers, while others said they were promised that Dream Center schools would provide robust career services. Many students reported that both of these promises proved to be false. Misrepresentations about post-graduation job opportunities left lasting harm on graduates' economic lives.

As student J.H. explained, "I was assured by the recruiter for Argosy University that it was accredited and any degree that I received would be the same as any other four-year college. After I graduated, they were unable to provide any appropriated job references and as a result all I could find was a part time job in my field that only paid 10.00." Similarly, student A.B. said of The Art Institute, "I was taken advantage of by a non-accredited school who pushed loans on me and overcharged me for classes. There were no job opportunities after school in the field of study even though my study field was growing and booming."

As student J.W. explained, Dream Center schools often left students unprepared for interviews or jobs, despite the recruiters' promises: "After graduation they sent me on an externship for a month where the people could care less if you learned anything or not. Once I started looking for a job in the biomedical technology field I found out that Brown Mackie is a pretty much a joke. I applied for the position of a biomedical technician at 5 different local hospitals and was pretty much laughed at during each interview because I came from Brown Mackie. The same thing happened at several other interviews. I was lost when it came to the interview questions because the questions that they were asking were about things that we never even covered at Brown Mackie."

Many Dream Center students also complained that the schools had promised job placement assistance that did not exist. Promises of career help can be a key factor in students' choices to attend Dream Center schools and misrepresentations about that career help can leave students in the lurch. As Brown Mackie student J.B. said, "Their employment-opportunity office never gave me any call backs in reference to job-search programs. Trying to meet with them in person was also never easy because they were rarely in their offices during their posted hours of operations." Similarly, O.B. at Brown Mackie said, "No Job placement program. Once I graduated the phone calls stop and I was on my own to find a job. I have a job but it's not for the degree I have." And student E.W. said, "I received no help in identifying [jobs] from Brown Mackie College. I am having to do that work myself. The jobs that were [] suggested were not jobs in the field of study that matched your degree. Many were simply minimum wage general worker jobs. Nothing that needed a college diploma to do, let alone specialized knowledge."



## **5. Quality of Education**

Complaints to Veterans Education Success about Dream Center schools included 21% of students reporting that they had been misled about the quality of education they would receive at Dream Center schools and that the poor quality of the education they received at Dream Center schools failed to adequately prepare them for the field they wished to enter. The following is the number of complaints by school that included allegations of misleading or deceptive recruiting practices about the quality of education at Dream Center schools:

- i. Argosy: 4 (16%)
- ii. Arts Institute: 15 (27%)
- iii. Brown Mackie College: 21 (18%)
- iv. South University: 2 (33%)

Students reported that the rigor of courses was comparable to high school (not college) and that teachers were unqualified or unwilling to provide assistance and explanation. As student J.W. said, “I feel that the quality of education at Brown Mackie College is far less than adequate. I had harder courses in junior high. The classes seem to be made easier than what they should be. I attended other colleges and the course work was more intense and more in detail. It was like they catered to the students that were struggling just so that they would pass the classes and stay enrolled. I graduated with a 3.6 GPA and I didn't have to work myself to death to get it.” Similarly, student J.M. explained of The Art Institute, “There was a student in my class that knew more than [the professor] did. They only teach you the basics.”

As student L.M. explained about Brown Mackie, “I feel I was set up to fail -none of my teachers was even Biomedical Technology qualified -we barely actually had hands on medical machines and didn't learn how to repair medical equipment... -my externship was only 60hrs and I hardly learned anything -due to lack of training, I do not qualify for an entry level biomedical equipment technology job and have basically wasted almost \$40,000 of my Post 9/11 GI Bill. I have some student[] loans also.”

Many Dream Center students complained that the “best” quality at Dream Center schools was subpar. As Art Institute student J.A. explained, “When I shopped my portfolio around, there was little interest. It was among one of the best portfolios to come from the school[,] but it didn't meet industry standards.”

In some instances, students who were fortunate to obtain a job in their field said they were so ill-prepared that they were ultimately fired from their positions because they were unable to perform their job, contrary to Dream Center recruiters' promises of a high-quality education. As student A.A. of the Art Institute explained, “I was hired at my dream job only to find out my education fell short of preparing me or giving me the actual skills and education I needed to perform my job. I was eventually fired.”

Other students said they were not prepared to sit for required exams or earn certifications, despite having been promised their education would suffice. Some programs leave graduates ineligible

to obtain a job in their field because the school lacks the appropriate accreditation, fails to meet state criteria required for certification or licensure, or leaves students unable to obtain professional certifications that are strongly preferred by employers.<sup>4</sup> For example, Brown Mackie student P.R. reported,

“I began to discover that the reputation of the school was nothing that they said. That others talked down of the school. That same month I discovered that the school fell way behind the required pass rate of the state NCLEX tests. That almost no one or at least a low percentage of students were passing it. That same month because of Brown Mackie [having] this low pass rate the nursing board required staff changes in order to improve the rates. Lastly, the school could not maintain the clinical [sites] that were required in order for the student to be in accordance with the nursing board protocols in order to take the NCLEX tests. They forced the students to set out of school for a month for them to try and fix it. This was the point in time where I spoke to the school's director about my dissatisfaction with the college. I decided to not only change schools but change degree plan. I requested they dis enroll me immediately. I owe about \$9,000 in debt to Brown Mackie. Over all it seemed that this school was completely unprofessional, and a total waste of my time.”

Examples of other student complaints about misrepresentations about educational quality at Dream Center schools include:

- “The core classes were fine, the field classes were not educational. The quality of teaching by the IT instructor was poor. I have not gained any knowledge in my field of study and I'm going on my 5th class.” -A.R., Brown Mackie College
- “The classes were poorly instructed with no materials provided. For example our programming class did not even involve a computer, and there was no existing computer lab. We had a substitute teacher in our programming class that did not know anything about programming. ... We were promised vouchers to take CompTIA/Cisco certs that were never produced even after repeated requests. Our concerns about the programs were brought up to the interim dean (who was changed out half way through) and an instructor that was promoted but no meaningful changes were ever made.” -A.B., Brown Mackie College

## **6. Accreditation**

Approximately 15% of complaints related to Dream Center schools' misrepresentations about their accreditation, impacting students' ability to pursue their educations further or to be hired for specific jobs. The following is the number of complaints by school that included allegations of misleading or deceptive recruiting practices about the accreditation of Dream Center schools:

- i. Argosy: 5 (20%)
- ii. Arts institute: 6 (11%)
- iii. Brown Mackie College: 19 (16%)
- iv. South University: none

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<sup>4</sup> Walter Ochinko, “The GI Bill Pays for Degrees that Do Not Lead to a Job,” *Veterans Education Success*, Sept. 2015, <https://vetsedsuccess.org/the-gi-bill-pays-for-degrees-that-do-not-lead-to-job/>.

There are two relevant types of accreditation: institutional and programmatic.<sup>5</sup> Institutional accreditation is granted to a school as a whole and can either be regional or national. Regional accreditation is more widely recognized by institutions that are considering whether to accept a student's prior credits and employers considering whether to hire a graduate. Programmatic accreditation is granted by specialized accrediting agencies to specific degree programs or departments within a larger institution. Deceptions about programmatic accreditation can impact a student's ability to get jobs in licensed occupations. Brown Mackie student J.V. stated, "When I was enrolled into Brown Mackie I was told the program was accredited but after being there a few months I found out that the program was not accredited but the university was."

Students reported they often did not discover the misrepresentations about accreditation until they tried to transfer to a new school or enter their desired career field. For example, student M.K. of Argosy University explained, "I applied for certification in my field and was told due to Argosy's lack of accreditation, I still need 2 years of post-grad work before I was even eligible. At no time during the recruitment or throughout my 2 years of enrollment was this mentioned as a possible issue."

Other students reported that Dream Center's misrepresentations about accreditation impacted the students' ability to get jobs, as employers would not hire them because of their degree or because they were not eligible to sit for exams or earn certifications. Brown Mackie student M.M. reported, "I was told upon admission that the nursing program was accredited. Once enrolled I found that the school was under provisional accreditation with the state and under review. I asked about being able to work places like the VA when I graduate and they said a license is a license. I graduate this month and applied to the VA and because they do not have regional accreditation I cannot work there."

Other examples of students' complaints about deceptions about accreditation include:

- "State board of nursing shut down the program right after I graduated in December. We have yet to show as passed/ graduated and cannot sit for our boards. Transcripts are being withheld as well." -H.R., Brown Mackie College
- "It started out good they said they can help me become a surgical [technician] in any of the hospital's in town they told me they have the same accreditation as [P]ima medical and once I enrolled they told me my GI Bill wasn't enough to cover all aspects of my tuition so they talked me into getting a student loan to cover the rest then about a year and a couple months into the program I started doing research on the hospital's I wanted to work for and every hospital in town said the accreditation wasn't high enough to qualify as a surgical [technician] and that I would have to do additional schooling at yet another school." -E.S., Brown Mackie College

## **7. Program or Degree Changes**

A number of students also reported issues with changes made to their degree or program requirements after they had already begun the program. The following is the number of

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<sup>5</sup> *Id.*

complaints by school that included allegations of misleading or deceptive recruiting practices regarding program or degree changes at Dream Center schools:

- i. Argosy: 3 (12%)
- ii. Arts Institute: none
- iii. Brown Mackie College: 6 (5%)
- iv. South University: none

Deceptions about program or degree changes often manifested as the requirement of additional classes in order to graduate, which extended a student's time in school and added an additional financial burden.

For example, Argosy student C.A. reported, "Argosy University Atlanta Campus change[d] their Dissertation Requirement three times while I was in their Ed. D. program. This required more hours and therefore costing more Out-of-pocket expense." Brown Mackie student T.A. shared, "About half way through my associates degree plan the school changed the required courses and credits needed... I was told they would work with me because I was working nights full time. At first they did, but then the school changed their minds and my class times were sporadic because they were doing away with my degree plan and I had to take what was available, which was at one time only. They were only offering the classes once for day scheduled students and once for night students. Due to this and not having the ability to transfer what was already earned and paid for, I was forced to leave work early many times, arrive very late or not be able to sleep. Also due to the school discontinuing the degree plan after my class graduation, towards the end of my education time there were several classes I needed to complete the degree but they were not offered. I could not attend classes for 2 [straight] months due to this. Also during this time they didn't notify the VA and continued to request payment so I had an overpayment that I was required to pay back to the VA for my housing allowance for both those months. I am unaware if the school received funds for that time, but since the VA was paying in advance by semester, it seems likely."

Other examples of students' complaints about deceptions about program or degree changes include:

- "Because of the recent news regarding Brown Mackie's closing, I'm one out of 4 students, at my location, who will not be able to graduate with the Bachelor's Degree that I've been working on for 2 1/2 years. I had to change programs to an Associate's just so I can graduate and not have over 100 useless credits. I'm not happy about it and I believe it's unfair!" -C.G., Brown Mackie College
- "I graduated at ITT tech with a associates degree and Brown Mackie told me that if I wanted to go to University of Louisville law school, that they don't take ITT tech credits but theirs they would. I changed hoping this would be better for me, but it was the worst decision of my life. I took several classes over again because mine were [too advanced] or they didn't carry over. I was also told I would only be in another year and half to two years with my bachelor degree. They changed the program and added more classes and internships. I just gave up because I kept chasing a[] never ending dream. All nightmares. Now I have dept for loans because there was always an excuse that my bill was paid by VA. I had 100% paid college

but somehow I have thousands of dollars of debt. Yet I can't get anything to show it because I owe them money.” -K.M., Brown Mackie College

- “Changed curriculum for program entry. Had to double up on courses prior to entry into my career choice. When my cohort was on track I was not.” -K.W., Brown Mackie College

## **8. Veteran-Specific Issues/Other**

In addition to the topics above, students reported other concerns, some of which were specific to the military and veteran experience. These issues have significant impacts on students' ability to pursue their education and frequently involved broken promises made during the recruiting and enrollment stages. For example, some students shared that Dream Center schools promised to be military-friendly and to accommodate their deployments or other military duty, but then the schools did not keep that promise. For example, Brown Mackie student S.H. reported, “Before my enrollment I was told that Brown Mackie would be able to help and work around my military schedule if needed but when the time arose for me to do field training and work late hours, I was told that even though I was completing my threaded discussions and coursework online I couldn't [because] they were not an online school. I was dropped from the class, charged for it, lost my GI Bill benefits.”

Similarly, student H.W. said, “I was with Brown Mackie for about 6 months and I was called for a 3 week deployment to Romania with the Idaho National Guard, when I returned Brown Mackie in Boise Idaho refused to let me back into the school, and told me I would not be able to finish school there. I was a straight A student but now, none of my credits will transfer and I am about \$4,500 in the hole with student loans and zero quality of education from BMC.”

Another area of concern from students related to false promises of a military discount or scholarship, something the U.S. Department of Justice has told Veterans Education Success is of particular concern. For example, student A.N. said, “Brown Mackie offered a military discount for their students and never gave it to me, in fact they also never informed me about it. I read about it after graduating.”

Another concern for student veterans regarded how Dream Center schools handled their VA housing allowance, which is supposed to be delivered directly to veterans and not held by schools. As Brown Mackie student J.S. explained, “When I first enrolled, I was under the impression that I would get the full amount of [housing allowance] for each month which would have been over \$1200. Imagine my surprise when I only got around \$1068. They didn't tell any of us about how it is calculated for Brown Mackie. It is based on the days enrolled. It created a hardship financially over the two years I attended and I might have chosen a different place to go.” -J.S., Brown Mackie College

## **B. Whistleblower Complaints**

Veterans Education Success heard from two whistleblowers who formerly worked at The Art Institute. One whistleblower, who remained anonymous, stated, “Veterans and service members should avoid the Art Institute at all costs. As a former admissions counselor in a high military location, this school practically survives off of veterans benefits while giving subpar education.”

Another former employee who worked at The Art Institute from January 2008 to January 2019 shared a number of concerns. He began working in admissions, and he reported a very high-pressure sales environment, where employees were pressed to recruit as much as possible. He also reported students frequently would take on federal loans and debt far beyond what they needed. He felt that students need additional support when it comes to taking on debt on top of GI Bill benefits. At a compliance summit with the Dream Center, he heard officials state that the consent decree that was in place at the time was a hindrance and stressed that officials did not want to perform oversight of the schools.

## II. LAW ENFORCEMENT ACTION

Over the years, several law enforcement agencies took action against EDMC, the Dream Center, and some of the schools individually before their closure. A timeline of these actions follows.

### A. Department of Education

- In 2019, the Department of Education announced it would no longer allow Argosy to receive Title IV funds. Argosy and the Art Institute closed their campuses and there are lawsuits related to the potential misuse of \$16 million in Title IV student aid regarding the Dream Center.<sup>6</sup>

### B. State Attorneys General

- A 2013 settlement between Argosy University and Colorado's Attorney General was entered into for the school's deceptive marketing. Resulted in \$3.3 million in restitution and fines.<sup>7</sup>
- In 2014, an investigation by 14 state attorneys general about the school's recruitment of students, graduate placement statistics, graduate certification, and licensing results, and student lending activities.<sup>8</sup>
- In 2015, a settlement was entered following an investigation by attorneys general from Kentucky, Florida, and Massachusetts. The settlement required EDMC to reform its recruiting and enrollment practices and to forgive more than \$102.8 million in loans held by more than 80,000 former students.<sup>9</sup>
- In 2018, the Massachusetts attorney general sued The New England Institute of Art and EDMC for actively targeting and aggressively recruiting prospective students by misrepresenting job placement rates, its capacity to provide job search assistance, and the availability of financial aid.<sup>10</sup>

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<sup>6</sup> Federal Student Aid, Important Information about Argosy University and The Art Institutes (*available at* <https://studentaid.gov/announcements-events/dream-center>).

<sup>7</sup> Anthony Cotton, "Argosy University Denver fined \$3.3 million for deceptive practices," *The Denver Post*, Dec 3, 2013, <https://www.denverpost.com/2013/12/05/argosy-university-denver-fined-3-3-million-for-deceptive-practices/>

<sup>8</sup> Disclosed in publicly available Form 10-K filed with the United States Securities and Exchange Commission, Commission File No. 001-34466 (*available at* <https://www.sec.gov/Archives/edgar/data/880059/000088005914000059/edmc0630201410-k.htm>).

<sup>9</sup> Andria Simmons, "State sues Argosy University, Brown Mackie College, Art Institutes," *The Atlanta Journal-Constitution*, Aug 28, 2016, <https://www.ajc.com/news/local/state-sues-argosy-university-brown-mackie-college-art-institutes/mQj7HmoPuaFxlG0AZKbiN/>.

<sup>10</sup> Jenna Fisher, "AG Healy Accuses Brookline Art College of Fraud in Lawsuit," *Patch*, Jul 31, 2018, <https://patch.com/massachusetts/brookline/ag-healey-accuses-brookline-art-college-fraud-lawsuit>.

### *C. City Attorneys*

- 2014 \$4.4 million settlement with City Attorney of San Francisco following investigation into consumer complaints that the school underestimated program costs and inflated earnings projections to recruit students; the settlement requires the company to create a \$1.6 million scholarship program for students who enrolled in The Art Institute of California – San Francisco or one of the California Art Institutes diploma or degree programs and did not obtain their diplomas or degrees, and \$850,000 for an unrestricted scholarship program for students attending one of the California Art Institutes. The agreement also requires payment of \$1.95 million to the City Attorney of San Francisco for investigation costs and other fees.<sup>11</sup>

### *D. U.S. Department of Justice*

- 2015 settlement following 2011 lawsuit under False Claims Act for falsely certifying compliance with the incentive compensation ban. Joined by California, Florida, Illinois, Indiana, and Minnesota as intervenors based on their respective state false claims acts. Settlement included agreement by company to pay \$95.5 million to the United States, co-plaintiff states and whistleblowers, and includes funds for the compliance expenses of the state consumer fraud settlement, including the costs of the administrator and a sophisticated voice analytics system to record and analyze recruiters' calls with students.<sup>12</sup>

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<sup>11</sup> Nanette Asimov, "SF wins \$4.4 million settlement with for-profit art school," *SFGate*, Jun 17, 2014, <https://www.sfgate.com/bayarea/article/SF-wins-4-4M-settlement-with-for-profit-art-5559635.php>.

<sup>12</sup> "For-Profit College Company to Pay \$95.5 Million to Settle Claims of Illegal Recruiting, Consumer Fraud and Other Violations," United States Department of Justice, accessed May 5, 2021, <https://www.justice.gov/opa/pr/profit-college-company-pay-955-million-settle-claims-illegal-recruiting-consumer-fraud-and>.